



OPERATIONAL AND MARKETING REVIEW

We now have a portfolio of 75 open and trading Big Yellow stores (with Manchester having opened in May 2019), with a further 12 development sites.

The current maximum lettable area of the 75 stores is 4.7 million sq ft. When fully built out the portfolio will provide approximately 5.5 million sq ft of flexible storage space.

In addition we part-own and manage 24 Armadillo stores which are principally located in northern UK towns and cities, and operate from a platform of 1.0 million sq ft.

Strategic Report (continued)

Operational and Marketing Review (continued)

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Overview

Growth in new self storage centre openings, excluding container operators, over the last five years has averaged 2% to 3% of total capacity per annum, down significantly from the previous decade. Additionally, in our core markets in London and the South East, high land values driven by competing uses such as residential, and complex planning rules, are making the creation of new supply very difficult for all operators. We believe that we are in a relatively strong position given the strength of our balance sheet and our proven property development expertise, together with our ability to access funding to exploit the right opportunities.

Operations

The Big Yellow store model is well established. The “typical” store has 60,000 sq ft of MLA and takes some three to four years to achieve 85% plus occupancy. The average room size occupied in the portfolio is currently 68 sq ft, in line with last year. The store is open seven days a week and is initially run by three staff, with a part time member of staff added once the store occupancy justifies the need for the extra administrative and sales support.

The drive to improve store operating standards and consistency across the portfolio remains a key focus for the Group. Excellent customer service is at the heart of our business objectives, as a satisfied customer is our best marketing tool. We measure customer service standards through a programme of mystery shopping and online customer reviews, which are externally managed. Over the year, we have achieved an average net promoter score of 79.1.

We have a team of ten area managers in place who have on average worked for Big Yellow for 12 years. They develop and support the stores to drive the growth of the business.

The store bonus structure rewards occupancy performance, sales growth and cost control through quarterly targets based on occupancy and store profitability, including the contribution from ancillary sales of insurance and packing materials. Information on bonus build-up is circulated monthly and stores are consulted in preparing their own targets and budgets each quarter, leading to improved visibility, a better understanding of sales lines and control of operating costs.

We believe, that as a consumer-facing branded business, it is paramount to maintain the quality of our estate and customer offering. We therefore continue to invest in preventative maintenance, store cleaning and the repair and replacement of essential equipment, such as lifts and gates. The ongoing annual expenditure is approximately £37,000 per store, which is included within cost of sales. This excludes our rolling programme of store makeovers, which typically take place every five years, at a cost of approximately £20,000 per store. Over the last five years we have invested £12 million in the upkeep and maintenance of our stores, all of which has been expensed in the statement of comprehensive income.

Demand

Demand for self storage is largely driven by need, with security, convenience, quality of product, service and location being key drivers. Awareness remains relatively low compared to commoditised products, such as hotel rooms or airline seats, albeit it is increasing slowly year-on-year with increased supply, marketing spend and customer use.

We are confident that Big Yellow benefits disproportionately from this improving market for our product, due to our market-leading brand and operating platform with our focus on London, the South East and large metropolitan cities. Our digital platform now accounts for 90% of our prospects, of which over half come through our mobile site.

Customers renting storage space whilst moving within the rental or owner occupied sectors represent 41% of move-ins during the year (2018: 42%), split evenly between the homeowners and renters. 12% of our customers who moved in took storage space as a spare room for decluttering (2018: 11%). 35% of our customers used the product because some event has occurred in their lives generating the need for storage; they may be moving abroad for a job, have inherited possessions, are getting married or divorced, are students who need storage during the holidays, or homeowners developing into their lofts or basements (2018: 35%). The balance of 12% of our new customer demand during the year came from businesses (2018: 12%).

There is a growing trend towards self-employment and smaller business start-ups in the UK, dynamics that are positive for self storage. Additionally, businesses in the UK are increasingly seeking flexible office and storage space rather than longer inflexible leases. The deindustrialisation of big cities with the conversion of commercial space into residential and other uses, is also a driver for demand from the SME market seeking flexible warehouse space.

During the prior year, the Group commissioned an external survey to assess the value the average Big Yellow store generates for its local economy. 36% of the Group’s space is occupied by business customers, and the average store is home to 105 different businesses who between them employ 300 people as a direct result of their occupation. 60% of the businesses that occupy our stores are start-ups who have never rented space anywhere else before. For over half of the businesses, this is the only space they rent, for others this complements their other space. The report estimated that across Big Yellow over 23,000 jobs are created working for over 7,700 businesses. In addition, average local Gross Value Added generated by Big Yellow’s business customers in each store is approximately £17 million per annum, or over £1 billion nationally.

Of our overall occupied space today, customers who are longer stay lifestyle users, decluttering into small rooms as an extension to their accommodation, occupy 10% to 15% of our space; approximately 50% of the space is customers using it for less than 12 months, for reasons which are largely event driven, which could be inheritance, moving in the owner occupied or rental sector, home improvements, travelling; the balance of 36% of our space is businesses. Businesses occupy larger rooms on average than domestic customers and, despite being in 36% of the occupied space only represent 21% of customer numbers.

We have a dedicated national accounts team for business customers who wish to occupy space in multiple stores. These accounts are billed and managed centrally. We have four full time members of staff working on growing and managing our national account customers.

The national accounts team can arrange storage at short notice at any location for our customers. In smaller towns where we do not have representation, we have negotiated sub-contract arrangements with other operators who meet certain operating standards.

Marketing and ecommerce

Our marketing strategy focuses on driving enquiries and customer satisfaction through our digital platforms.

For the last 13 years, we have commissioned a YouGov survey to help us monitor our brand awareness. In our most recent survey conducted in April 2019, we used a statistically robust sample size of 1,008 respondents in London and 3,806 for the rest of the UK. The survey has shown our prompted awareness to be at 72% in London, nearly two and a half times higher than our nearest competitor and 41% for the rest of the UK, nearly three times higher than our nearest competitor.

Market leading brand

Our unprompted brand awareness is five and half times our nearest competitor in London and nearly six times for the rest of the UK.

48%

Unprompted brand awareness in London



Strategic Report (continued)

Operational and Marketing Review (continued)

For unprompted brand awareness, our recall in London is 48%, five and a half times higher than our nearest competitor and for the rest of the UK it is 20%, nearly six times higher than our nearest competitor. The UK Self Storage Association (“SSA”) has also conducted a brand awareness survey with similar results. According to their YouGov survey conducted in January 2019, Big Yellow’s unprompted brand awareness across the UK is over five times higher than our nearest competitor. These surveys continue to confirm our brand leading position in self storage.

The Big Yellow website, whether accessed by desktop, tablet or smartphone, delivers the largest share of our prospects, accounting for 90% of all sales leads across the year ended 31 March 2019, with the balance coming from telephone or walk-in enquiries as the first point of contact.

Across the year ended 31 March 2019, our online market share of weekly web visits remained strong, ranging from 22% to 32% [source: Connexity Hitwise recording visits to 59 UK self storage operators]. This results from our continued investment and innovation across our mobile and desktop digital platforms driving both paid and SEO search.

We monitor and improve the website user journeys on an ongoing basis. We are committed to making the experience as easy, intuitive and informative as possible for our customers. Both the mobile specific website and our desktop site are designed with helpful and time saving online tools such as Check-in Online, online FAQs, video store tours, online chat, BoxShop and a Click and Collect service for packing materials. These all help the customer to make an informed choice about their self storage requirements.

Online customer reviews

Consistent with our strategy of putting the customer at the heart of our business, our online customer reviews generate real-time feedback from customers as well as providing positive word of mouth referral to our web visitors. Through our ‘Big Impressions’ customer feedback programme, we ask our new customers to rate our service. With the users’ permission, we then publish these independent reviews on the Big Yellow website. There are currently over 28,000 of these customer reviews published averaging 4.8 out of 5.

The Big Impressions programme also generates customer feedback on their experience when they move out of a Big Yellow store and also from prospects who decided not to store with us. This programme reinforces best practice of customer service at our stores where customer reviews and mystery shop results are transparently accessible at all levels.

We also gain real-time customer insight from over 5,800 Google Reviews averaging 4.6 out of 5 and 1,354 TrustPilot Reviews currently averaging 9.6 out of 10.

We regularly monitor our customer reviews plus any online mentions of Big Yellow on social media, news sites and across the web generally. We use this insight to monitor our brand and improve our service offering.

Driving online traffic

Self storage is a consumer facing business and the development of a strong and sustainable brand is multi-layered and requires a consistency of product, customer service and interaction at all touch points, particularly online, which represents 90% of our total enquiries.

Search engines are the most important acquisition tool for us, accounting for the majority of traffic to our website. We continue to invest in search engine optimisation (“SEO”) techniques both on and off the site which helps us achieve high positions for the most popular self storage related search terms in the organic listings on Google. Of the top 100 self storage search terms, 32 feature brands, representing approximately 42% of the search traffic [source: Connexity Hitwise, 12 weeks ended 30 March 2019].

This clearly indicates that, although self storage is a relatively immature industry with 70% to 75% of customers using it for the first time, brand is important in driving higher levels of prospects and customer referrals, leading to improved operational performance. We have demonstrated this through significant improvements in performance of existing storage centres following their acquisition, rebranding and assimilation into our business.

The sponsored search listings remain our largest source of paid for web traffic. Ongoing website optimisation helps ensure we maximise the conversion of this web traffic into prospects.

We continue to drive efficiencies so as to maximise the return on investment from all of our different online traffic sources. Online marketing budgets will continue to remain focussed on the media with the best return on investment.

Social media

Social media continues to be complementary to our existing marketing channels and Big Yellow can be found across Twitter, Facebook and Instagram. LinkedIn is also being used to communicate company achievements, CSR initiatives and to present an honest and engaging picture of what it is like to work for Big Yellow. LinkedIn is central in our drive towards more direct recruitment.

The Big Yellow YouTube channel is used to allow web prospects to experience our stores online through our video guides to self storage. The online blog is updated regularly with tips and advice for homeowners and businesses, as well as summaries of our charitable and CSR initiatives.

PR

We have continued to produce regional press stories throughout the year to help raise awareness of Big Yellow in the local communities where we operate. These will often highlight the charitable endeavours of our team members or the support we provide to local charities and organisations through the donation of free storage space.

Budget

During the year the Group spent approximately £5.3 million on marketing (4.2% of total revenue). We have increased the budget for the year ahead to £5.5 million with a focus on delivering and converting more prospects from our digital channels.

Cyber security

The Group receives specialist advice and consultancy in respect of cyber security and we have dedicated in-house monitoring. We continue to invest in and review our security systems and we limit the retention of customer data to the minimum requirement. We carry out frequent penetration testing of internet facing systems, use components such as anti-ransomware as well as maintaining and replacing components (such as firewalls) with the latest technology and specification. Policies and procedures are under regular review and benchmarked against industry best practice by our consultants. These policies also include defend, detect and response policies. We aligned our policies and procedures to ensure our ongoing compliance with the new EU General Data Protection Regulation (“GDPR”) which came into effect in May 2018.

